

Message Text

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ACTION EB-11

INFO OCT-01 ARA-16 AEC-11 AID-20 CEA-02 CIAE-00 CIEP-03

COME-00 DODE-00 FEAE-00 FPC-01 H-03 INR-11 INT-08

L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01 SAM-01 SCI-06

SP-03 SS-20 STR-08 TRSE-00 FRB-03 PA-04 USIA-15

PRS-01 XMB-07 EA-11 EUR-25 DRC-01 ISO-00 /211 W

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C O R R E C T E D C O P Y (TEXT)

E.O. 11652: N/A

TAGS: EFIN EIND ENRG BEXP TD

SUBJECT: INFORMATION ON MAJOR DEVELOPMENT PROJECTS

BEING CONSIDERED BY THE GOTT

REF: (A) STATE 203014; (B) STATE 202064; (C) POS 2224

(D) POS A-74, SEPT. 16, 1974; (E) POS 1659

SUMMARY. THE GOTT IS EMBARKING UPON AN AMBITIOUS PROGRAM OF INDUSTRIA

L

DEVELOPMENT, INVOLVING THE UTILIZATION OF TRINIDAD'S RESERVES

OF PETROLEUM AND NATURAL GAS, WHICH MAY BRING A TOTAL OF \$1

BILLION OF NEW INVESTMENT TO THIS COUNTRY OVER THE NEXT FEW YEARS.

MAJOR INDUSTRIAL PROJECTS NOW UNDER CONSIDERATION ARE OUTLINED IN

REF (D) AND (E). U.S. COMPANIES ARE INTERESTED IN PARTICIPATING IN

OR SELLING GOODS TO NEARLY ALL OF THESE PROJECTS AND WILL UNDOUBTEDLY

SEEK EXIM FINANCING TO SUPPORT THESE EXPORT SALES. RECOMMEND THAT

EXIMBANK ATTEMPT TO SUPPORT AS MANY PROJECTS AS POSSIBLE,

ESPECIALLY SINCE TERMS AND AVAILABILITY OF FINANCING WILL

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BE CRUCIAL PART OF SALES PACKAGE, AND IN VIEW OF

FACT THAT NOT ALL PROJECTS WILL GO TO U.S. BIDDERS.
REQUEST EXIMBANK KEEP US CLOSELY INFORMED OF ITS ABILITY TO RESPOND
TO APPROACHES FOR FINANCING COMMITMENTS. END SUMMARY.

1. REF (E) PROVIDES OUTLINE OF FINANCING SOUGHT BY GOTT
FOR MAJOR INDUSTRIAL PROJECTS, AND REF (D) PROVIDES AN
UNCLASSIFIED STATUS REPORT ABOUT TEN OF THESE PROJECTS.
(AN ADVANCE COPY OF THIS AIRGRAM WAS POUCHED ON SEPTEMBER
16 TO MR. LARRY LUTHER AT EXIMBANK, WITH REQUEST THAT IT
BE PASSED ON TO DRAFTER OF REF (A)). MOST PROJECTS ARE
INTER-RELATED, SINCE THEY INVOLVE INDUSTRIES BASED ON
NATURAL GAS, EITHER AS A FEEDSTOCK OR AS FUEL TO PRODUCE
ELECTRICITY. OTHER PROJECTS INVOLVE PETROCHEMICAL PLANTS,
AND ARE USUALLY TIED IN TO THE EXISTING PETROLEUM OPERATIONS
IN TRINIDAD. IN ADDITION TO PROJECTS SPECIFICALLY DESCRIBED
IN REF (E), REF (C) MENTIONS TWO OTHERS (KAISER AND AMAX),
DETAILS OF WHICH HAVE NOT BEEN MADE PUBLIC, BUT WHICH UNDOUBTEDLY
WOULD INVOLVE EXPORTS OF SUBSTANTIAL QUANTITIES OF U.S. PRODUCTS.

2. THOSE PROJECTS LISTED IN REF (E) WHICH PROPOSE JOINT VENTURE
PARTICIPATION BY U.S. FIRMS--E.E., GRACE, AMOCO, TEXACO,
TESORO--ARE VERY LIKELY TO INVOLVE EXPORT OF U.S. GOODS FOR
WHICH EXIM FINANCING WILL BE SOUGHT. GROUND IS ALREADY
BEING CLEARED FOR THE GRACE-GOTT JOINT VENTURE ANHYDROUS
AMMONIA PLANT, AND CONSTRUCTION WILL BEGIN NOVEMBER 1 ON
THE FIRST STAGE OF THE TEXACO-GOTT JOINT VENTURE PETRO-
CHEMICAL PLANT (WHICH WILL PRODUCE MALEIC ANHYDRIDE AND
LINEAR ALKYL BENZENE). THE AMOCO PROPOSAL IS RECEIVING
SERIOUS CONSIDERATION, BUT WE HAVE NO IDEA IF THE GOTT
WILL PURSUE THE TESORO PROPOSAL OR NOT.

3. IT IS ALSO HIGHLY LIKELY THAT U.S. FIRMS BIDDING ON
THE OTHER PROJECTS, SUCH AS THE PIPELINE, GENERATING
PLANT, PORT FACILITIES, ALUMINUM SMELTER, AND IRON AND
STEEL PLANT, WILL ALSO DESIRE EXIM SUPPORT. OF THIS GROUP
OF PROJECTS, WE KNOW THAT U.S. BIDDERS ARE SERIOUSLY
INTERESTED IN THE POWER PLANT AND THE IRON AND STEEL PROJECT
(REF B AND PREVIOUS). APPROXIMATE COST OF THESE PROJECTS
IS GIVEN IN REF (E).

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4. IT IS EXTREMELY DIFFICULT TO ASSESS GOTT'S PRIORITIES
FOR THESE PROJECTS, AND WE UNDERSTAND THAT THE GOTT HAS
REQUESTED AN IDB TEAM TO VISIT TRINIDAD TO HELP IT ORDER
PRIORITIES AND ASSESS VARIOUS PROJECT PROPOSALS. ALL THE
NATURAL GAS-BASED PROJECTS ARE INTIMATELY RELATED, AND THE
TWO BIGGEST--THE ALUMINUM SMELTER AND THE IRON AND STEEL
PROJECT--INVOLVE UTILIZATION OF LOW-COST ELECTRICITY
GENERATED FROM NATURAL GAS TO BE PIPED ACROSS THE ISLAND.

OTHER PROJECTS (FURFURAL PLANT, AMMONIA PLANTS, CEMENT PLANT, ETC.) ALSO DEPEND UPON THE PIPED SUPPLY OF NATURAL GAS, THOUGH IN MUCH SMALLER QUANTITIES. THESE PROJECTS, TOGETHER WITH INFRASTRUCTURE PROJECTS SUCH AS PORT DEVELOPMENT, ARE THEREFORE ALL INTER-RELATED, AND THEIR IMPLEMENTATION WILL DEPEND UPON THE SCHEDULE FOR CONSTRUCTING THE PIPELINE AND THE GENERATING PLANT. THESE IN TURN DEPEND UPON THE SIZE AND NUMBER OF INDUSTRIAL END-USERS, ALL OF WHICH DEPEND UPON AVAILABILITY OF FINANCING.

5. ALMOST SIMULTANEOUS WITH RECEIPT OF REF (A), EMBASSY RECEIVED REF (B) DESCRIBING PROPOSED VISIT BY OFFICER FROM COMMERCE'S MAJOR EXPORT PROJECTS DIVISION TO DISCUSS JOINT USG/INDUSTRY APPROACH IN SUPPORT OF U.S. FIRM'S BID TO PARTICIPATE IN IRON AND STEEL PROJECT. EMBASSY RECOMMENDS CLOSE COORINDATION BETWEEN EXIMBANK AND COMMERCE ON THIS AND OTHER PROJECTS, IN ORDER TO ENSURE THAT ALL POTENTIAL U.S. SALES PROPOSALS WILL HAVE EQUAL ACCESS TO NEEDED EXIM FINANCING. FOLLOWING TRIP BY MEPD PROJECT OFFICER, HE SHOULD BE ABLE TO PROVIDE EXIM WITH ON-THE-SPOT ASSESSMENT OF VARIOUS PROJECTS, AS WELL AS INDICATION OF WHICH ARE LIKELY TO ATTRACT SERIOUS U.S. BIDDING FOR EXPORT SALES.

6. COMMENT: WE HAVE NO DOUBT THAT AVAILABILITY OR NON-AVAILABILITY OF EXIMBANK FINANCING WILL BE A CRUCIAL FACTOR FOR POTENTIAL U.S. SUPPLIERS OF EQUIPMENT FOR MANY OF THESE INDUSTRIAL PROJECTS, ESPECIALLY IN VIEW OF INTENSE GERMAN, JAPANESE, FRENCH, AND BRITISH COMPETITION. THIS IS BORNE OUT BY COMMENTS MADE TO US BY SENIOR GOTT OFFICIALS, BY THEIR FREQUENT TRIPS TO INSPECT PLANT AND EQUIPMENT IN VARIOUS POTENTIAL SUPPLIER COUNTRIES, AND BY THEIR LIVELY INTEREST IN FATE OF RECENT EXIMBANK LEGISLATION. WE STRONGLY URGE THAT EXIM USE AS MUCH LATITUDE AS LIMITED OFFICIAL USE

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POSSIBLE IN CONSIDERING REQUESTS FOR FINANCING THESE PROJECTS, ESPECIALLY SINCE IT IS EXTREMELY UNLIKELY THAT ALL WOULD BE AWARDED TO U.S. SUPPLIERS. THE FAILURE OF ONE U.S. SUPPLIER TO OFFER ADVANTAGEOUS FINANCING ON ONE PROJECT COULD PREJUDICE GOTT'S CONSIDERATION OF U.S. SUPPLIERS' PROPOSALS FOR ANOTHER PROJECT CONSIDERED SUBSEQUENTLY. SHOULD INDEED THE POINT APPROACH WHERE IT APPEARS THAT REQUESTS FOR FINANCING MIGHT EXCEED EXIM CAPABILITIES, WE WOULD APPRECIATE THE OPPORTUNITY TO COMMENT FURTHER, ESPECIALLY WITH REGARD TO COMPETING PROPOSALS UNDER CONSIDERATION AT THAT TIME.

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